

Memphis, Tennessee

Overview

Despite current economic conditions, office and industrial leasing in Memphis has been healthy throughout the year. The downtown office market remained active with several large companies taking advantage of the ample available space and lower market rates. Landlords in the popular East and 385 Corridor submarkets have increased rental rates due to the demand and lack of class A space. One new office building is under construction in the popular East submarket. Industrial demand is increasing as companies move to the area to take advantage of the existing distribution infrastructure and central location.

Market Trends

- Tenants are requesting shorter lease terms.
- Class A office rental rates are moving upward.
- Class B office rental rates are expected to soften.
- Downtown office activity remains strong.
- Ample industrial space is available.

Tenant's Perspective

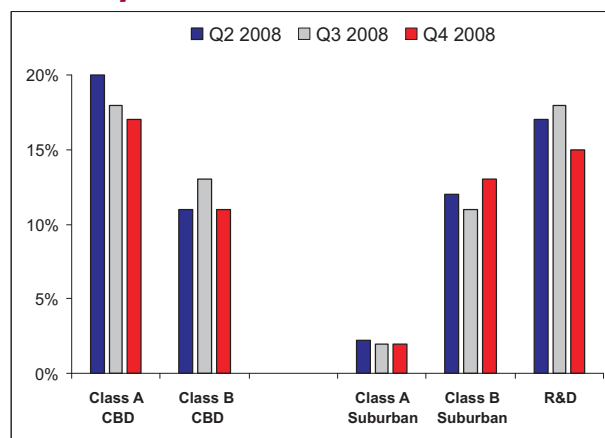
Due to the lack of class A office space, most landlords have raised their rents. Consequently, class B rental rates are expected to decrease as more space becomes available. One new class A office building is projected to be completed in 2009. The downtown office market remains a viable alternative with ample available space.

The Memphis industrial market is not immune to the effects of a weakened economy. Businesses continue to consolidate warehouse space to cut operating costs leaving large vacancies in the market. However, industrial users continue to seek Memphis locations to reap the benefits of being near the FedEx transportation hub and within an overnight drive to two-thirds of the nation's population. Widely known as "America's Distribution Center", Memphis is a true transportation hub where rail, air, trucking and barge traffic converge forming a perfect distribution center for industrial users.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Office Suites Plus Inc.	15,538	Office	Lease
McDonald Murrmann Women's Clinic	12,972	Office	Lease
OrthoOne	12,700	Office	Sale
ProTech Systems Group	10,000	Office	Lease
U.S. Secret Service	9,500	Office	Lease
Raymond James & Associates	8,094	Office	Lease
Daimler Trucks North America	300,000	Industrial	Lease
Helmet House Inc.	201,804	Industrial	Lease

Vacancy Rate



Average Rental Rates

CBD	Q2 2008	Q3 2008	Q4 2008
Class A Office	\$17.00	\$18.00	\$18.00
Class B Office	\$15.50	\$15.55	\$16.00

Suburban	Q2 2008	Q3 2008	Q4 2008
Class A Office	\$26.35	\$26.35	\$26.40
Class B Office	\$19.15	\$18.50	\$18.55
R&D	\$2.60	\$2.50	\$2.55

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